

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6337

BILL NUMBER: HB 1076

NOTE PREPARED: Dec 4, 2002

BILL AMENDED:

SUBJECT: Randolph County Economic Development Income Tax.

FIRST AUTHOR: Rep. Liggett

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill repeals the authority of Randolph County to impose an additional 0.25% County Economic Development Income Tax (CEDIT) to fund the renovation of the county courthouse and former county hospital.

Effective Date: November 19, 2002 (retroactive); January 1, 2003 (retroactive).

Explanation of State Expenditures: *Background:* Under current law, revenues from the additional CEDIT rate of 0.25% are used to pay the costs of financing, constructing, acquiring, renovating, and equipping the Randolph County courthouse. Additionally, revenues may be used for renovation of the former county hospital for additional office space, educational facilities, non-secure juvenile facilities, and other county functions. The additional revenue may also be used for the repayment of bonds issued, or leases entered into for those purposes.

In 2002, Randolph County issued bonds for the renovation of the old county hospital. The bond issue principle is approximately \$5.8 M. The bond repayment schedule expires in 23 years, for an annual average payment of approximately \$250,000. The county may also secure a bond issue for the repair of the county courthouse.

Explanation of Local Revenues: *Summary:* Under the bill, CEDIT revenues for Randolph County would be reduced by an estimated \$940,500. The CY 2003 Local Option Income Tax base for Randolph County at a 1% rate was \$3,762,218. The decrease in revenue was estimated from the 1% base or (0.25 X \$3,762,218 = \$940,554.) Based on the effective date of the bill, revenue reductions would begin with the CY 2004 CEDIT certified distribution.

Background: Under current law, a county must adopt a rate increase in CEDIT by April 1 of a given year. In July of that year, the State Budget Agency calculates a certified distribution for the following year. (Counties do not receive any additional certified shares until January of the year following the rate increase and certified distribution.)

Given the effective date of the bill, the Budget Agency would readjust the Randolph County CEDIT certification in July of 2003. The distribution at the reduced rate of 0.25% would begin in January of 2004.

Under current law, with a few exceptions, counties may impose a combined County Adjusted Gross Income Tax (CAGIT) & CEDIT rate of 1.25%. One of the exceptions is Randolph County, which currently imposes CAGIT & CEDIT at a combined rate of 1.5%. Randolph County currently imposes CEDIT at a 0.50% rate and imposes CAGIT at a 1% rate.

In CY 2003, the Randolph County CEDIT certified distribution was \$1,865,566 at a 0.5% rate. The CY 2002 CEDIT certified distribution for the county was \$1,317,271 at a 0.25% rate.

State Agencies Affected: State Budget Agency.

Local Agencies Affected: Randolph County.

Information Sources: Bob Lain, State Budget Agency; Randolph County Auditor's Office, (765) 584-3149.

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